

THE 2% STRATEGY: A BOLD NEW APPROACH TO SHAPE THE FUTURE OF SOUTHERN CALIFORNIA

by Randall Lewis

Looking ahead at the housing situation in Southern California, it is not a pretty picture. In fact, it is terrifying! We are facing a crisis of affordability, as evidenced in the Housing Chapter of this *State of the Region* Report. At the same time we have major challenges with mobility, livability in our communities and, in fact, the prosperity and sustainability of all Southern Californians. This situation will require regional leadership, vision and courage. SCAG's Compass 2% Strategy offers a bold new approach and vision. I will discuss why it's needed in Southern California, why it's a good thing, and what steps are necessary for its implementation.

Why It's Needed

The need for fresh thinking is driven by the tremendous population growth that will be coming to Southern California in the next two decades. It is estimated that Southern California will grow by five million people in the next 25 years. Southern California continues to be an attractive place for people, and this attractiveness to new-comers, as well as the natural increase due to births from our existing population, will result in enormous population growth. Our infrastructure is already strained in existing areas and our scarce resources will not be able to accommodate this growth using old-fashioned patterns of development. Finally, changing demographics and lifestyles also call for new thinking regarding how and where we live. The 2% Strategy offers a fresh approach.

The 2% Strategy has evolved out of the Southern California Compass regional visioning process. It is an approach to optimally accommodate growth in the region. The strategy promotes a concentration of new and infill development along existing and planned transportation corridors and new urban centers. SCAG's current focus is to initiate pilot and

voluntary demonstration programs, to target technical assistance to cities containing critical growth opportunity areas as identified in the 2% Strategy, and to provide proper tools and training to encourage participation and cooperation.

Why It's a Good Thing

There are many benefits to the 2% Strategy. It can:

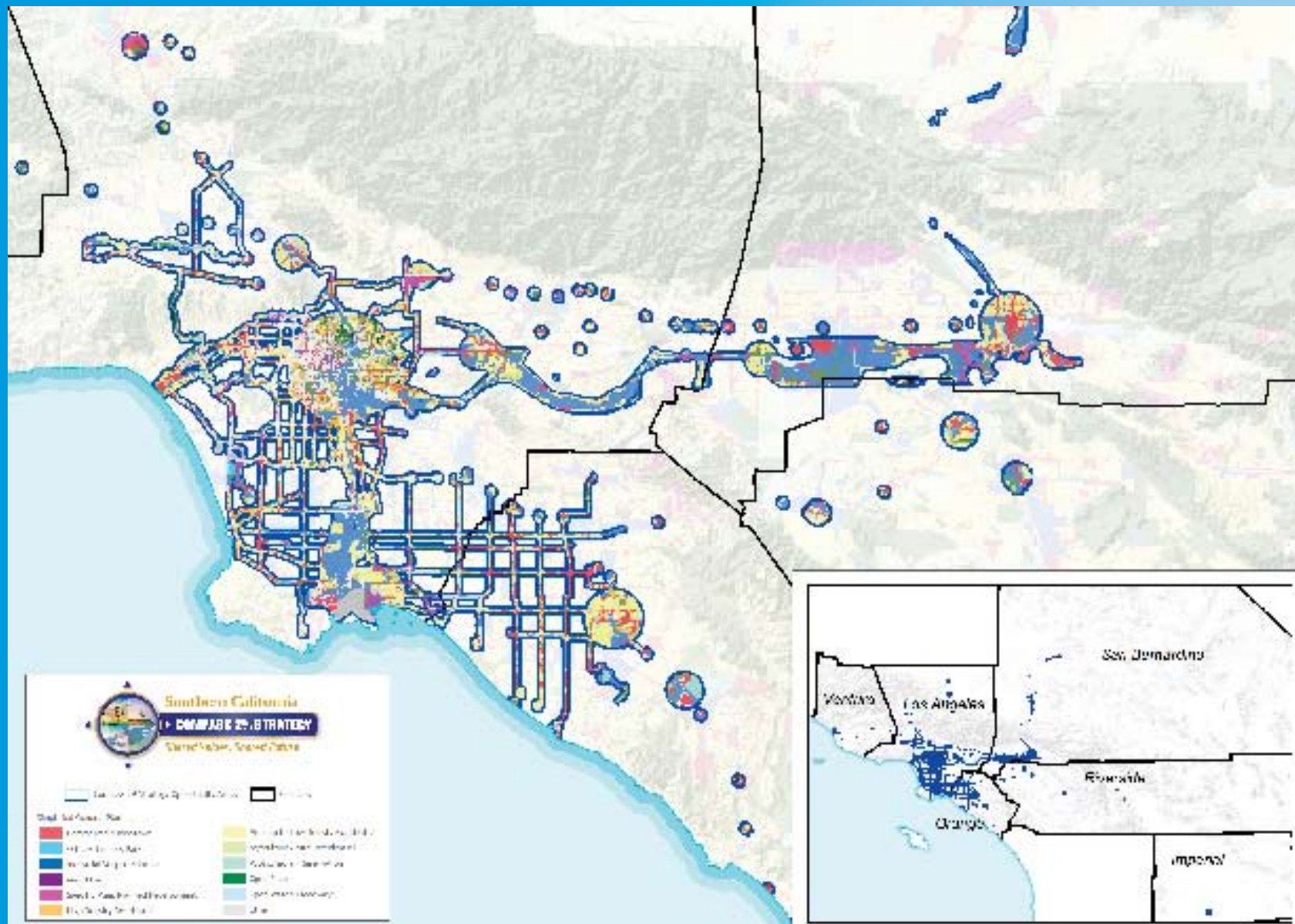
- allow for the preservation of valuable open space;
- lessen traffic on our crowded roads and highways;
- help reduce air pollution;
- lessen our dependency on foreign oil;
- increase prosperity in our existing cities and lead to a better business climate;
- create more livable communities that are more walkable and more interesting;
- encourage sustainability for the environment;
- lead to the building of different types of housing that are more appropriate to our changing demographics.

The 2% Strategy is good for cities and counties, offering many resources for implementation. It is also good for providers of housing by encouraging creation of new opportunities for development.

What Steps are Necessary for Implementation

Here are some steps needed to implement this strategy. They include, for example, taking the appropriate actions in producing the right mix of housing, using regulatory tools more proactively, and giving more emphasis on design, mixed-use developments, master planned communities, new towns and public/private partnerships.

First of all, we must understand Southern California's changing demographics, which are more diverse than ever. Southern Californians are living in many different household types, such as singles, couples, retirees and single heads of households. Many of these household types no longer need or want the traditional big home on a big home site. There are many different lifestyle preferences, such as people seeking recreation-oriented communities, live/work developments, gated communities, homeowner association communities, etc. Often smaller size homes better meet the spatial and financial requirements of these non-traditional households. Common areas such as pools, pocket parks and gathering spaces can be quite popular. As providers of housing we must be more like a consumer goods industry that has detailed knowledge on the preferences and tastes of our customers. There currently is a real mismatch between much of our supply of housing and this new diversified housing demand. There are estimates that up to 70% of the new households that will be formed in the future will be non-traditional households. Many builders



are still providing houses oriented towards the more traditional family market with two parents and two to four children. These homes are often 1,500 to 3,500 square feet, with 6,000- to 7,000-foot home sites. This type of family housing is still valid for many families but there is not enough smaller lot and condo/townhouse-type housing being built for the smaller households. There is no typical household any more, and there should not be a typical housing type either.

Next, cities and counties should use incentives to get the types of housing they desire and need. The easiest incentive is speeding up the time it takes to entitle and build housing. This incentive doesn't have to cost anything in terms of dollars or oversight, but it's extremely valuable to providers of housing. It can cut down financing costs, lessen the risk of economic cycles, and lead to less expensive housing in this era of rapidly rising construction costs. A second incentive is the incentive of density. Increased density can significantly lower land costs and lower the costs of infrastructure. In many suburban markets, land now costs upwards of \$500,000 per acre. If there are four homes per acre, the raw land cost is \$125,000 per home; if there are 10 homes per acre, the raw land cost is \$50,000 per home, which can be a significant savings. In addition, there are many fixed costs to a development, such as perimeter walls, traffic signals and street lights, and greater density dramatically drives down the per-dwelling-unit cost of items like these. Other types of incentives can include lower fees, faster inspections, and reductions in unnecessary standards and requirements.

Building codes and requirements should be examined to make sure they are compatible with the latest trends in higher density housing. All across the country there have been great innovations in architecture and land planning, but it's necessary that local codes be updated to allow for these new patterns of building. Zoning changes should be handled through general plan updates in advance of specific projects being submitted for review. This will save time and potentially avoid controversy.

We must recognize that design is more important than density. It is the quality of the design that truly is important, and good projects with density must integrate architecture, land planning and landscaping to be good neighbors. While densities definitely need to be higher in the future, unlimited density is not the answer. Each market area has a right density, and a multi-discipline approach is needed to discover the right density. Factors such as surrounding neighborhood housing types, construction costs, sales prices, market acceptance, demographics, and politics all enter into the analysis of the right density. Southern California has many good examples of attractive higher density housing and it also has some not-so-good examples. House tours or visual preference surveys done with photographs are both excellent ways to show both good and bad examples of higher density. We should also remember that with future investments in transit and with the beginning of people using car sharing, there will be increasing interest in housing near good transit.

There will be new providers of housing in the future, and cities and counties must understand who these providers are, what their roles are in the economy, and the best ways of dealing with each type of provider. Examples of these providers are large national homebuilders, regional and smaller homebuilders, planned community developers, not-for-profits, for-profits doing affordable housing, retailers with extra land above

or around their shops and stores, office owners with extra parking, corporate and industrial owners with extra land, and redevelopment agencies. Each of these providers has different issues that need to be understood. For example, larger providers of housing will probably not be as interested in small sites and will not be able to devote the proper resources to do them justice. Likewise, smaller developers might not be as appropriate for larger sites because it would strain their resources. When choosing builders, cities should consider their capabilities and expertise to insure the right team for each site.

Rental housing will play an increasing role in housing Southern Californians in the future. Some households will rent because it is all they can afford, but there are also many renters by choice who choose to rent because they enjoy the lifestyle of having someone else do the maintenance or because they're at a period in their lives when renting makes more sense. Most of the rentals going forward will be at the very high-end or at the subsidized end of the market because it's quite difficult to build anything in between. The high costs of land, soaring construction costs, and increasing competition for rental sites make it very difficult to build any housing except at the very high end, which must be expensive enough to cover all of the costs. Currently, for-sale builders are able to outbid rental developers on most sites, which exacerbates the problem of not having enough land for rental housing. Home ownership is an admirable goal but we must recognize that there will be a strong role for rental housing, and it will be difficult and expensive to provide rental housing.

We must understand that master planned communities will play an increasingly larger role in housing our population in the future. These communities offer many benefits, such as more comprehensive planning; proper placement and financing of infrastructure, such as schools, parks and public amenities; better segmentation of different housing types to reach all of the markets; and usually stronger standards for design and maintenance.



There will also be new towns developed in Greenfield areas. New town development will be a key part of the growth in the future. These new towns will have the benefit of comprehensive planning starting from the beginning, and can offer an enviable balance of jobs, houses, community amenities and open space preservation. New town development will require new thinking in terms of financing, infrastructure construction, economic development, and creating a sense of community. Through innovative planning at the regional level, these new towns complement the economic strategy of existing urbanized areas. They also provide opportunities for sustainability and environmental stewardship. New towns offer a fresh opportunity towards a comprehensive approach to community building. Great sustainable communities are about a lot more than just homes. They include physical infrastructure, such as roads and schools and public buildings; natural infrastructure, such

as trails, parks and meaningful open space; and social infrastructure, such as systems for safety, for economic development and for community involvement and enhancement. New towns will be built in North Los Angeles County, in North San Bernardino County and in Eastern Riverside County. New town development must be a part of Southern California's future development. Relying only on in-fill housing is not enough because the supply of housing cannot be built quickly enough and in the right places. I believe new towns should be part of the region's development strategy and that new towns need to be planned properly and smartly.

Planners must study mixed-use developments, integrating residential with other uses, such as office and retail. Mixed-use development, while attractive, has complex issues such as noise, odors, parking, financing, increased construction costs, and many others. In many cases, mixed use is more easily done horizontally with uses next to each other instead of vertically, with uses on top of each other. Our experience is that mixed-use developments have the potential to become great places that not only are attractive but also make the surrounding areas more attractive. These projects may take place in existing urban centers as well as near new transit centers and corridors.

Educating city councils, planning commissions, development staffs, producers of houses, and the general public on the complex issues of growth is critical. City councils need some big picture education on issues of growth and latest thinking on regional solutions to the housing crisis. At the planning commission and city staff level, the education must be more at the "how to do it" level. Cutting edge design and development is complicated and only through training and education can planning commissioners and development staffs learn the best ways to take their cities' projects into the future. The producers of housing also need to be educated since they often only know what they are comfortable with and may not be as exposed to fresh thinking as they should be. Perhaps the most important group to educate is the general public.

Recently the Executive Director of SCAG gave a presentation to community leaders and members of the public in an Inland Empire community. When they heard his message, they all responded quite favorably to the Southern California Compass program. We have found a very useful tool in educating stakeholders is a tour that starts in their city and then goes to see samples of best practices in other cities. We have done more than a dozen of these tours in the last three years. They typically take three to six hours and allow participants to see and comment on development projects that they like and don't like. The feedback after these tours has always been extremely positive and it is a tool I recommend heartily.

Only through an education process can community leaders have courage and vision as the dialog regarding the 2% Strategy continues in Southern California. In my opinion, the 2% Strategy is not optional. By showing people how important it is for solving issues of congestion and housing affordability, we can better win public support. The public must also





understand that as Southern California competes for jobs and businesses, affordable housing and good transportation for workers are mandatory.

Public/private partnerships can be useful for some projects to leverage the strengths and resources of the public and private sectors. Partnerships can help with joint use projects involving schools, parks, libraries, community centers and health facilities. In Chino, for example, we are working on a new school that will have a joint use gymnasium and park shared by the city and the school district. We will also have a joint use library shared by the County of San Bernardino and the local school district. The school will also have space for community meetings. In Riverside County we are exploring extra rooms for early childhood education and for limited health services, as well as many other joint use facilities. There currently is a growing awareness of the benefits of child care and early childhood education. In this era of scarce resources, joint use may be an exciting way to provide this much-needed service.

What about the other 98% of land? We must also look at the properties outside of the 2% areas to make sure they are being developed properly. We can't look back and say, "Why did we waste our land in 2006." We need to recognize appropriate land uses outside of the 2% Strategy areas and be wise about them. In ten years, today's Greenfields may all be infill locations and we must have proper zoning today to insure proper uses on the other 98% of land. A real side benefit of the 2% Strategy is that it can open the door to smarter thinking on the other 98% of the property. If the other 98% is planned properly, we can insure that sites can be developed appropriately and those sites which should not be housing can be put to other uses.

Health concerns affect all Southern Californians. There is a growing recognition that how we design communities can impact the health and vitality of an area's residents. By considering design and inclusion of health-promoting infrastructure, we can help our residents lead healthier and longer lives and lower the crushing burden of health-related costs on our society. There are four factors to be considered in designing healthier neighborhoods and developments:

A. The physical plan must promote walkability and safety. Where possible, trails and parks have been proven to increase people's tendencies to walk and get exercise.

B. Physical elements such as exercise rooms, gymnasiums or community centers also have big impacts. With forethought, all projects—large and small—can incorporate some physical elements to promote health.

C. Partnerships with local organizations, both for-profit and not-for-profit, can be used to leverage resources of knowledge, manpower and buildings to create programs to promote all elements of health and wellness.

D. Policy changes need to be explored regarding elements such as food at schools, workplace health initiatives, allocation of budgetary resources and many others. It is at the policy level that the biggest opportunities for change exist.

Finally, demonstration projects are a great tool to encourage good development. These projects can demonstrate best practices in areas such as innovative approaches to high density, and new ways of creating learning communities, healthy communities and communities with a strong social fabric. New changes in technology such as fiber optics or wireless communication or environmental stewardship are other areas where demonstrations are valuable. These demonstration projects need to be fast-tracked through approval processes and, when built, need to be studied to learn what has worked and what hasn't. There is no substitute for being able to see projects in person and take advantage of what's been learned. Targeted demonstration projects have the power to influence dozens of other projects in a very short time.

Conclusion

All of us, the public sector, the private sector and our communities and citizens have a shared and common future. We also have shared values, wanting a better life for next generations. SCAG's leadership at the regional level is vitally important for Southern California. SCAG has tremendous resources that can guide community leaders with data, technology and methods for modeling different patterns of development. The staff members and elected leaders of SCAG are well respected and can be used as spokespeople and change agents to help the region through this process. Change is always difficult and scary but with SCAG's help, we can do what is necessary. The challenges ahead are enormous but with programs such as the 2% Strategy, I am confident that all of us can have better lives in the years ahead.

Randall Lewis is the Executive Vice President and Director of Marketing for Lewis Operating Corp.

He is a recipient of SCAG's 2005 Regional Champion Award.